



WEEKLY ECONOMIC DIGEST

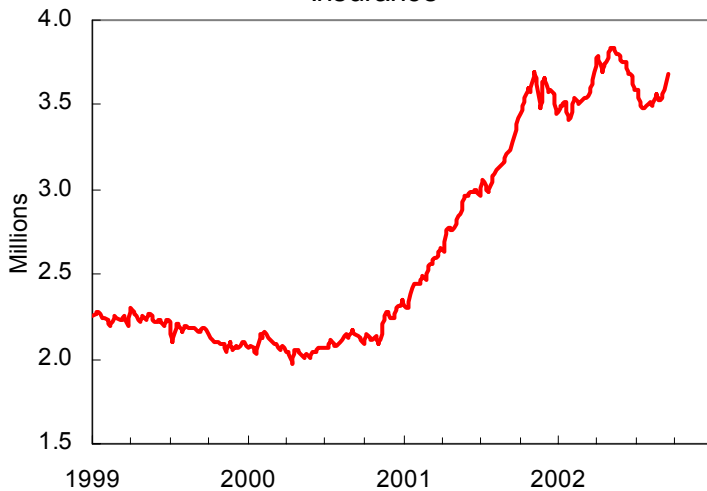


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
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October 1, 2002

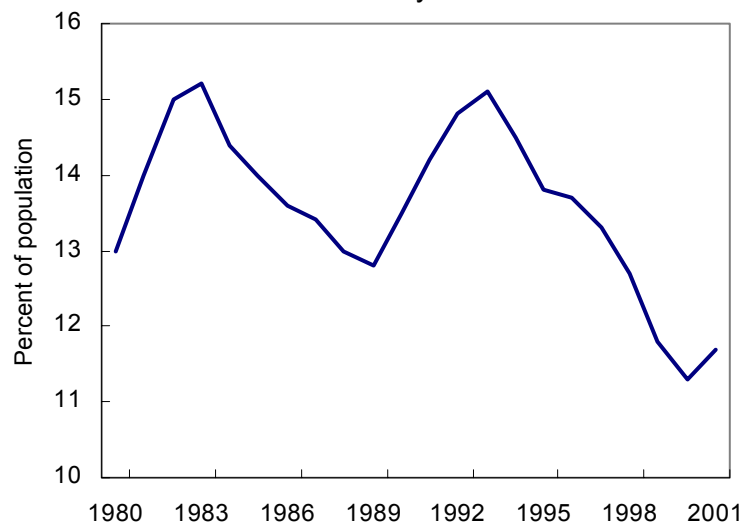
The Third Quarter Looks Stronger, but Jobless Claims Stay High

Continuing Claims for Unemployment Insurance



Source: Employment and Training Administration, U.S. Department of Labor.

The Poverty Rate



Source: Bureau of the Census, U.S. Department of Commerce.

- **Second-quarter growth was revised up slightly.** Real (inflation adjusted) gross domestic product grew at a 1.3 percent annual rate in the second quarter, up 0.2 percentage point from the Commerce Department's previous estimate. More recent information on durable goods and household spending point to a spurt of growth in the third quarter, but most analysts expect a slowdown in the fourth quarter.
- **Factory orders for durable goods were not as weak as expected in August.** New orders for durable goods fell by 0.6 percent in August, after rising 8.6 percent in July. Financial markets had expected a much sharper decline. New orders for non-defense capital goods excluding aircraft and semiconductors—an indicator of future capital spending—grew 0.6 percent in August.
- **Household spending rose in August.** Consumer purchases rose by 0.3 percent, following a strong 1.0 percent advance in July. Sales of new single-family houses rose to 14.4 percent above home sales twelve months earlier, as mortgage rates fell to historical lows in August.
- **Weekly jobless claims fell but continued to indicate weakness.** New claims for unemployment insurance dropped in the week that ended September 21. That decline brought the four-week moving average of new claims down slightly to 419,000. That level is still too high to be consistent with job growth. Continuing claims rose and the insured unemployment rate ticked up by 0.1 percentage point to 2.9 percent.
- **New data show that poverty rose last year.** Weak labor markets in 2001 contributed to the first rise in the U.S. poverty rate in almost a decade, to 11.7 percent. The number of Americans living in poverty rose to 32.9 million last year, more than a third of them children. Median household income fell by 2.2 percent in real terms, to \$42,228.

Economy At A Glance	Aug	Jul	Jun	May	2002 Qrt 2	2002 Qtr 1	2001 Qtr 4	2001 Qtr 3	2001	2000
Economic Activity										
Real GDP (% growth)					1.3	5.0	2.7	-0.3	0.3	3.8
Industrial Production (% growth)	-3.5	4.9	7.4	6.2	4.1	2.6	-6.7	-4.7	-3.9	4.5
Capacity Utilization (Level, %)	76.0	76.2	76.0	75.6	75.6	75.0	74.7	76.2	76.8	81.8
Civilian Unemployment Rate (Level, %)*	5.7	5.9	5.9	5.8	5.9	5.6	5.6	4.8	4.8	4.0
Housing Starts (Thousands)	1609	1645	1692	1742	1667	1725	1573	1603	1603	1573
Real Disposable Personal Income (% growth)	2.4	0.0	7.4	6.2	3.6	14.5	-7.6	10.5	1.8	4.8
Retail Sales (% growth)	9.4	13.9	17.8	-11.6	4.3	-2.4	13.1	-1.2	3.8	6.7
Personal Saving Rate (Level, %)	3.6	3.5	4.3	4.0	4.0	3.5	0.8	4.0	2.3	2.8
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)	3.7	1.2	1.2	0.0	3.4	1.4	-0.3	0.8	2.8	3.4
Core CPI-U Inflation (% growth)	3.7	2.4	1.2	2.4	2.2	2.3	2.7	2.7	2.7	2.4
Compensation per Hour (% growth)					4.4	3.6	4.2	3.7	4.1	4.5
Output per Hour (% growth)					1.5	8.6	7.3	2.1	1.1	2.9
Financial Markets										
T-Bill Rate, 3-month (Level, %)	1.6	1.7	1.7	1.7	1.7	1.7	1.9	3.2	3.4	5.8
T-Note Rate, 10-years (Level, %)	4.3	4.7	4.9	5.2	5.1	5.1	4.8	5.0	5.0	6.0
Federal Funds Rate (Level, %)	1.7	1.7	1.8	1.8	1.8	1.7	2.1	3.5	3.9	6.2
Dow Jones Industrial Avg (Index Level)	8685	8617	9492	10080	9913	10105	9641	9934	10189	10735

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

* Subject to revision this week.

Upcoming Economic Releases:

- **Construction Spending, August** [Release: Tuesday, October 1]
- **Vehicle Sales, September** [Release: Tuesday, October 1]
- **ISM Manufacturing Index, September** [Release: Tuesday, October 1]
- **The Employment Situation, September** [Release: Friday, October 4]
- **Consumer Credit, August** [Release: Monday, October 7]